

AGENDA: February 27, 2001

7.1

CATEGORY: Unfinished Business

DEPT.: Community Development

TITLE: Charleston East Hotel Conference
Center—Request for Qualifications

RECOMMENDATION

Authorize staff to proceed and issue a Request for Qualifications (RFQ) for a portion of the City-owned Charleston East site for a hotel conference center development.

FISCAL IMPACT

It is estimated that when the hotel conference center is completed, it will generate approximately \$2.5 million to \$2.7 million annually in the General Fund from lease and transit occupancy tax payments. Additional property tax revenue will also be generated to the benefit of the Shoreline Community Fund.

BACKGROUND AND ANALYSIS

The purpose of this memo is to give the City Council the opportunity to review and comment on the RFQ and authorize staff to proceed with the issuance of the RFQ.

On December 12, 2000, the City Council authorized staff to proceed with marketing the Charleston East site for a hotel conference center by using a two-step RFQ/RFP process rather than an RFP-only process or sole sourcing the site to a developer (see Exhibits A and B, staff report and minutes of December 12, 2000 meeting).

One of the goals of the RFQ/RFP process is to seek proposals from as broad a base of hotel developers and hotel operators as possible. The RFQ process will require developers to describe their development team and experience, describe their ability to obtain financing and to prepare a preliminary development concept for the site. Once the RFQ is submitted, staff and consultants will evaluate the developer qualifications and recommend a short list of developers (two to five) to the City Council. Once the Council selects the short list, developers would be invited to then submit an RFP.

Staff, with the assistance of Sedway Group, have completed development of the RFQ. The RFQ is divided into six sections: Summary of Offerings and Background, Description of the Development Opportunity, Minimum Business Terms, Project Objectives, Submittal Requirements, Selection Process and Criteria. Following is a summary of each of the sections of the RFQ:

1. Summary of Offerings and Background; Description of the Development Opportunity

These sections provide a prospective developer and an operator with a description and background of the site, information about Mountain View and the demand for a hotel.

2. Minimum Business Terms

This section outlines the basic business terms that the City would require in an agreement with the developer and hotel operator. Following is a summary of these terms:

- Subordination—The fee ownership and base rent will not be subordinated.
- Lease Term—It is expected the lease term will be 50 to 60 years with possible extension options.
- Rent—Base rent is expected to represent land value for hotel conference center with periodic reevaluations.
- Possessory Interest Tax—Lessee is expected to pay possessory interest tax in lieu of property tax.
- Performance Benchmarks—All agreements will contain time and performance benchmarks.
- Assurances—Agreements will include provisions for performance bonds or other remedies to ensure completion of the project.
- Assignment—City will have the right to approve assignment of the leases.
- Real Estate Commissions—City will not pay commissions to brokers in this transaction.
- Labor Neutrality Agreement—A Memorandum of Understanding (MOU) will be required between the employer and the Hotel/Restaurant Employees Union Local 19 prior to entering into a lease agreement with the City. The MOU will be

for the purpose of establishing ground rules for any organizing effort and to avoid picketing and/or other economic action against the hotel.

3. Project Objectives

This section summarizes the overall goals and objectives that the City is trying to achieve with this project.

- Sufficient Quality and Magnitude of Development—The City expects a high-quality four-star hotel with significant conference capacity that will be a source of pride for the community.
- Compatibility with Existing and Proposed Uses—The proposed concept must fit well with the R&D, office, open space and cultural/educational uses that already exist or are planned within the North Bayshore Area.
- Provision of Community Benefits—The project must benefit the public by providing publicly accessible open space, restaurants and other amenities that are maintained by the project sponsor or by facilitating other public goals such as traffic reduction or public art.
- Financial Return to the City—The hotel conference center developer must present a realistic project concept with minimal contingencies. The combination of lease income, property/possessory interest taxes, transient occupancy taxes and sales taxes must provide the City with a substantial, long-term income.
- Near-Term Development Potential—See a project built and operating within two to three years of selecting a development team.
- Environmental Sensitivity and Sustainability—The proposed development concept should incorporate environmentally sensitive design and construction and sustainable energy management.
- Minimize Potential for Economic Disruption—The potential for economic disruption resulting from labor-related issues should be minimized.

4. RFQ Phase Selection Criteria

This section describes the criteria that will be used to evaluate the proposals submitted.

- Qualifications and experience of members of the development team.

- Financial capability of the development team.
- Compatibility of development concept with the North Bayshore Precise Plan and the City's project objectives discussed earlier.
- Size and quality level of proposed hotel and magnitude of proposed conference space.
- Strategy for integrating the proposed project with existing uses and a future adjacent cultural/educational use.
- Ability and intent to complete the project quickly.
- Acceptance of minimum business terms outlined in the RFQ, including willingness to engage in a labor-neutrality agreement.

Schedule

It is expected that the RFQ would be released by the middle of March and that the deadline for submittal of proposals would be May 2001. Staff would then evaluate the proposals and return to the City Council at the end of June with a recommendation of the short list of developers. The Request for Proposals (RFP) would be issued to those developers on the short list, and staff would evaluate the proposals submitted. The schedule indicates that the City Council will select a developer by October 2001. The City would then enter into ground lease negotiations with the selected developer.

Marketing Strategy

The marketing strategy ensures that the highest-quality hotel conference center development and operation teams are aware of this development opportunity. The market strategy includes the following approach:

1. Press Releases

Press releases will be sent one week prior to issuing the RFQ to print and on-line media to capitalize on media publicity and generate discussion about the forthcoming RFQ.

2. City of Mountain View Internet Site

The City of Mountain View's Internet site will be used to quickly and efficiently disseminate information about the development opportunity to interested parties.

3. Targeted Mailings

a. Sources of Mailing List

The mailing list for the RFQ has been compiled from the City of Mountain View's database of parties that have expressed interest in the site; Sedway Group's in-house databases from prior marketing efforts; lists of leading hotel companies compiled by the National Real Estate Investor, Urban Land Institute and other sources; and prior hotel mailing lists used by the Port of San Francisco, National Parks Service and Scott Hospitality Consultants. The use of multiple sources ensures that the most important recipients have been included.

b. Recipients of Mailings

The primary targets of the mailing list are hotel operators and developers. Examples of well-known operators from the list include Marriott International, Hilton Hotels, Starwood Hotels and Resorts, Benchmark Hospitality, Doral Hotels and Resorts, and Dolce International. These operators typically work as a team with developers such as Western International Development, Franklin Croft Group (developer of the new Santa Clara Hilton), and Hampshire Properties (developer of Starwood's new W Hotel in San Francisco). In addition to the core group of operators, select real estate brokers and consultants are also included on the list in order to generate additional word-of-mouth publicity.

c. Number and Timing of Mailings

Two mailings will be sent to the list. The first mailing will be sent shortly after City Council authorization to proceed with the RFQ. This mailing will include a brief letter highlighting the development opportunity and informing the recipients of the pending RFQ release. The second mailing will include the actual RFQ on March 16, 2001.

d. Pre- and Post-Mailing Calls

All companies on the mailing list are being called to confirm an appropriate contact for their company prior to sending the mailings. After the document has been sent, selected contacts on the list will receive follow-up calls to ensure receipt of document.

4. Paid Advertising

From previous experience, Sedway Group has found limited results from advertising in trade publications, newspapers, Internet sites and magazines. Given the level of expense¹ and limited results from these publications, Sedway Group and City of Mountain View staff decided to exclude paid advertising from the marketing strategy.

PUBLIC NOTICING—Public noticing was provided through the standard agenda posting.

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Attachments

¹ Fees typically range from \$1,000 to \$3,000 per advertisement for one day to one month of coverage, depending on the publication and size of ad.